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FM AMEMBASSY VIENTIANE
TO RUEHC/SECSTATE WASHDC 2497
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHDM/AMEMBASSY DAMASCUS 0017
RUEHUB/USINT HAVANA 0003
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS VIENTIANE 000113

SENSITIVE
SIPDIS

STATE FOR EAP/MLS
STATE PASS USTR FOR BISBEE
COMMERCE FOR HPPHO

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SUBJECT: CORRECTED COPY - COKE PREPARING RETURN TO LAOS

11. (SBU) On March 3 econoff met with Bjorn Jensen, Director of Strategic Planning for Coca Cola in Southeast and West Asia and Ernest Bower, founder and previous head of the U.S.-ASEAN Business Council, who is currently a partner in a Washington-based consulting firm. According to Mr. Jensen, Coke learned on March 3 that the Ministry of Planning and Investment (MPI) had approved an investment license for Coca-Cola. Although many details remain to be decided, this license will likely be given to a regional Coke bottling company, which will then receive a license from Coca-Cola to produce Coke products in Laos starting in February 2011. Working with a local partner, Coke has already identified a future site for the bottling plant, to be located near Tiger Beer's new brewery north of Vientiane.

Cheap Smuggled Coke a Threat

12. (SBU) The license allows Coke to begin domestic production and sales of Coke products in February 2011, after the GOL-sanctioned ten year Pepsi monopoly ends. Prior to February 2011, Mr. Jensen believes Coke will be allowed to legally distribute Coke products, which are currently available throughout the country on an unofficial basis. Jensen said that one key issue will be the 30% duty which he said nominally applies to imported soft drinks. The current informal suppliers of Coke do not pay the duty and thus can undercut "legal" Coke if the duty must be paid. Coke intends to import cans and plastic bottles. Glass bottles, which make up the majority of soda sold in the country, are not profitable to import.

Axis of Un-Cola

13. (SBU) According to Mr. Bower, MPI had been unhappy to hear that Laos was one of only five countries where Coke was legally unavailable, and that the other four were Burma, Syria, Iran, and Cuba. This is not the company Laos wishes to be keeping. Prior to the 1975 communist takeover, Coke was bottled in Laos by the same company which produced Beer Lao. Over the past few years, Coke has worked quietly with the Phonesack Group, led by a Mr. Van Hoang Dau, on securing an investment license. We believe Mr. Dau is allied with the family of former President Siphandone, who is understood to favor a close relationship to Vietnam and an openness to foreign investment. One of Mr. Siphandone's daughters is a partner in Beer Lao and Pepsi, while another is a partner in Tiger Beer, a Singaporean company that in 2008 ended Beer Lao's domestic beer monopoly.

¶4. (SBU) COMMENT: We unofficially confirmed that Coke has indeed received an initial investment license approval from MPI.
HUSO